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STATE OF SOUTH CAROLINA  
DEPARTMENT OF INSURANCE

Before the State of South Carolina  
Department of Insurance

In the matter of:

Blue Cross and Blue Shield of South  
Carolina  
I-20 at Alpine Road  
Columbia, South Carolina 29219-0001

SCDOI File Number 114673

**Consent Order  
Imposing Administrative Penalty**

This matter comes before me pursuant to an agreement entered into between the State of South Carolina Department of Insurance (the Department) and Blue Cross and Blue Shield of South Carolina (BCBSSC), a South Carolina domestic insurer licensed to transact insurance business within the State of South Carolina. Summarized below are the pertinent facts:

On August 2, 2002, the Department received BCBSSC's Form D dated July 31, 2002. A review of the Form D revealed that BCBSSC had entered into an investment transaction on January 2, 2002 with its subsidiary PGBA. No prior approval for this transaction was requested by BCBSSC through the Department. On August 6, 2002, the Department provided post approval of the PGBA investment transaction. This transaction is in violation of S.C. Code § 38-21-250.

South Carolina Code § 38-5-120 provides the Director of Insurance with the authority to revoke or suspend the certificate of authority of an insurer which fails to comply with South Carolina's insurance laws. Alternatively, in accordance with §§ 38-5-130 and 38-2-10, the Director of Insurance may impose an administrative fine up to \$30,000 per violation.

The Company hereby admits, and I find as fact, that it committed the violations summarized above. The Company has alleged that these violations of South Carolina statutes were completely unintentional. However, these actions are a direct violation of the South Carolina insurance laws and can ultimately lead to the revocation of the insurer's certificate of authority pursuant to S.C. Code Ann. § 38-5-120 (2002) to transact the business of insurance within the State of South Carolina, subject to the insurer's right to a public hearing before the Administrative Law Judge Division.

Rather than contest this matter, the parties have agreed to submit the entire matter to me, along with their specific recommendation, for my summary decision. That consensual recommendation was that the Company would waive its right to a public hearing and would submit an administrative penalty through the Department in the total amount of \$2,500.

After a thorough review of the matter, carefully considering the recommendation of the parties, and pursuant to my findings of fact, I hereby conclude as a matter of law that the Company has violated the code sections summarized above. Accordingly, I hereby impose an

administrative penalty in the amount of \$2,500 against the Company pursuant to the discretion provided to me by the State of South Carolina General Assembly in S.C. Code Ann. §§ 38-5-130 and 38-2-10 (2002). The Company must pay this administrative penalty within ten days of my date and my signature upon this consent order. If the Company has not paid that total amount on, or before, that date, then its certificate of authority to transact business as an insurer within the State of South Carolina will be summarily revoked without any further administrative disciplinary proceedings.

The parties have reached this consensual resolution as a result of negotiation and compromise, and in consideration of the internal corrective measures the Company has implemented to prevent these problems from recurring. The parties expressly agree and understand the Company's payment of the agreed-upon penalty constitutes full accord and satisfaction of this matter.


By the signature of one of its officers or authorized representatives upon this consent order, the Company acknowledges that it understands that this administrative disciplinary order is a public record subject to the disclosure requirements of the State of South Carolina's *Freedom of Information Act*, S.C. Code Ann. §§ 30-4-10, *et seq.* (1991 and Supp. 2001).

Nothing contained within this administrative disciplinary order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative disciplinary order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative disciplinary order should be construed to limit the statutory duty, pursuant to S.C. Code Ann. § 38-3-110 (Supp. 2001), of the Director of Insurance, exercised either directly or through the Department, to "report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report."

It is, therefore, ordered that Blue Cross and Blue Shield of South Carolina shall, within ten days of my date and my signature upon this consent order, pay through the Department an administrative penalty in the total amount of \$2,500.

It is further ordered that a copy of this consent order shall be immediately transmitted to the National Association of Insurance Commissioners for distribution to its member states.

This consent order becomes effective on the date of my signature below.

  
Ernst N. Csiszar  
Director

Nov 13, 2002, at  
Columbia, South Carolina

I CONSENT:



Signature of Authorized Representative

**ROBERT A. LEICHTLE**

Name



Title

Blue Cross and Blue Shield of South Carolina  
I-20 at Alpine Road  
Columbia, South Carolina 29219-0001

Dated this 8 day of Nov, 2002